

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-02 AID-05 SS-15 STR-04
ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /094 W
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FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC 4498
INFO USDOC WASHDC
AMEMBASSY BUENOS AIRES
AMEMBASSY BRASILIA

UNCLAS SANTIAGO 3345

E. O. 11652: N/A

TAGS: ETRD, CI

SUBJECT: MODIFICATIONS TO AUTOMOTIVE TAX SYSTEM

REF: 76 SANTIAGO 3999

1. THE OFFICIAL GAZETTE (DIARIO OFICIAL) OF APRIL 21, 1977
PUBLISHED NEW DECREE WHICH MODIFIES BASIC FORMULA FOR IMPOSING
100 PERCENT SURCHARGE ON IMPORTED "LUXURY" AUTOMOBILES. RELATED
DECREE PUBLISHED APRIL 22 FIXES SPECIAL TAX ON CARS WITH APPROVED
IMPORT LICENSES, BUT WHICH HAVE NOT YET CLEARED CUSTOMS. MESURE
WILL RESTRICT SEVERELY THE IMPORTATION OF U.S. PASSENGER AUTOMOBILES.

2. BACKGROUND. DECREE LAW 1420 OF APRIL 23, 1976 PROVIDED FOR
A 100 PERCENT SURTAX ON "LUXURY" AUTOMOBILES, LANDED VALUE
OF WHICH EXCEEDED \$11,000 AFTER ALL TAXES WERE APPLIED. HOWEVER,
LAW WAS LOOSELY DRAWN, ALLOWING AUTOMOBILES TO ENTER AT VALUES
LESS THAN \$11,000, WHILE FINAL PRICE TO PUBLIC WENT AS HIGH AS
\$13,500. CAR IMPORTS, RESPONDING TO PENT-UP DEMAND AND IMPROVED
BUSINESS CONDITIONS BEGAN TO FLOOD INTO THE COUNTRY IN MID-1976
AND HAVE STEADILY INCREASED UP TO THE PRESENT, WITH GREATER
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PROPORTION OF HIGHER-PRICED MODELS. GOC MUST HAVE FELT THAT ORIGINAL
INTENT OF IMPORT REGULATIONS TO ALLOW ENTRY OF "BASIC
TRANSPORTATION" TYPE CARS WAS BEING DISTORTED; LOCAL ASSEMBLERS:
PEUGEOT, RENAULT, FIAT AND CITROEN, WERE FRUSTRATED WITH UNEXPECTED
COMPETITION. ALSO FOREIGN EXCHANGE EXPENDITURE FOR LUXURY GOODS
IN TIME OF AUSTERITY MUST HAVE INFLUENCED GOC TO TAKE CORRECTIVE
MEASURES. END BACKGROUND.

3. NEW DECREE (DL 1761) STATES THAT FINAL COST OF CAR FOR PURPOSES OF SURTAX WILL BE DERIVED BY MULTIPLYING EXWORKS PRICE BY 4. THUS CARS PRICES AT FACTORY OVER \$ 2,750 WOULD HAVE TO PAY THE SURTAX (4 X \$ 2,750 EQUALS 11,000). LAW REQUIRES CHILEAN INTERNAL REVENUE SERVICE TO DETERMINE EX-WORKS VALUE "WITHOUT CONSIDERING QUANTITY DISCOUNTS OR OTHER FACTORS".

4. DECREE LAW 1763 WHICH APPEARED IN OFFICIAL GAZETTE OF APRIL 22 ESTABLISHES SPECIAL TAX OF \$ 4,600 PER UNIT ON CARS IMPORT LICENSES OF WHICH HAVE BEEN APPROVED, BUT HAVE NOT YET ENTERED THE COUNTRY, IF FINAL PRICE IS MORE THAN \$ 11,000. THIS MEASURE IS TRANSITORY AND DESIGNED TO EASE THE APPLICATION OF THE HARSHER EFFECT OF D.L. 1761 UNTIL ALL CARS IN THAT CATEGORY HAVE ENTERED THE COUNTRY.

5. OFFICIAL GAZETTE OF APRIL 22 ALSO PUBLISHES LIST OF CARS OF ALL COUNTRIES PRESENTLY IMPORTED INTO CHILE AND QUALIFIES EACH MODEL AS TO WHETHER IT IS EXEMPT FROM THE 100 PERCENT SURTAX. (LOCAL FORD DEALER REPORTS THAT LIST IS INACCURATE INsofar AS HIS COMPANY'S PRODUCTS ARE CONCERNED.)

6. APPLICATION OF NEW FORMULA WILLING FOR ALL PRACTICAL PURPOSES, HALT IMPORTS OF U.S. CARS INTO CHILE. ONLY TWO VERY SMALL CHEVROLET MODELS (CHEVETTES AND VEGAS) ARE LISTED AS EXEMPT. LOCAL G.M. REPRESENTATIVE CHARGES THAT THE GOC FORMULA IS BLATANTLY DISCRIMATORY AGAINST U.S. MAKES. HE ALSO STATES THAT TRANSITORY TAX OF \$ 4,600 IS ACT OF BAD FAITH DIRECTED TOWARDS CHILEAN G.M. DEALERS WHO ARE COMMITTED TO DELIVER AT LEAST 1,000 UNITS (CHEVROLET UNCLASSIFIED

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NOVAS) TO LOCAL BUYERS.

7. EMBASSY HAS BEGUN REPRESENTATIONS TO GOC OFFICIALS ON BASIS OF APPARENT DISCRIMINATION.
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Message Attributes

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Disposition Case Number: n/a
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Disposition Event:
Disposition History: n/a
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